

Don't **Panic** . . . Get the 411 on Student Loan Repayment

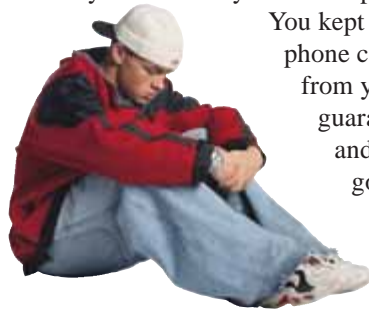


DARTS can help!

**KHEAA's
Default Aversion Resources,
Tools and Services
1.800.928.5327**

E-mail: default_aversion@kheaa.com

You graduated from school and six months later you received your first repayment notice.



You kept ignoring the phone calls and letters from your servicer, guarantee agency and school. You goofed and your student loans defaulted. Now what?

The money you borrowed is now considered a federal debt and if at all possible the federal government will get it back. Here's what you can expect:

- ☐ You won't be able to get more student loans, grants and other aid.
- ☐ All national credit bureaus will be notified of the default, severely damaging your credit rating.
- ☐ Your wages may be garnished.
- ☐ Your federal and state income tax refunds or other money owed to you may be taken to pay your defaulted loans.
- ☐ Up to 25% may be added to your loan for collection charges, and you will have to pay interest on this additional amount.
- ☐ You may be sued.
- ☐ If your job requires a license, you may not be allowed to renew your license.

Don't panic, and don't let this happen to you. It's not too late, and you have options. Call the Default Aversion Section at KHEAA (1.800.928.5327), and let us help you make informed decisions on the best way for you to

keep from defaulting on your loans. Your options may include:

- ☐ Repayment schedule change
- ☐ Deferment
- ☐ Forbearance
- ☐ Consolidation

Repayment Options

Let's talk about **Repayment Options** first because the best choice you can make is to



start paying and continue until you are student loan debt free. In general, Federal Stafford, PLUS and SLS borrowers have up to 10 years to repay their loans under the standard, graduated and income-sensitive options. Under the extended repayment plan, the repayment term can

extend up to 25 years based on when you received your loans and how much you owe. You can change your repayment option each year.

- ☐ **Standard Repayment** is the traditional repayment option. Payments are set so you will repay the debt within the maximum repayment period. Monthly payments may be changed each year to reflect a change in interest rates. A minimum payment of \$50 applies in most cases.
- ☐ **Graduated Repayment** allows your installment payments to change (usually increasing) over the repayment period.

❑ **Income-Sensitive Repayment** is available if you provide the lender with information on the expected total gross monthly income you receive from all sources. Documentation must be provided each year so the lender can adjust your payment amount accordingly.

❑ **Extended Repayment** is an option if you owe more than \$30,000 in student loans, as long as you don't owe anything on loans made before October 7, 1998. If you qualify, you can take up to 25 years to repay your loans.

You've looked at the repayment options, and they just aren't going to help you make your payments at this time. A deferment may be the answer.

Deferment

You may be able to get a deferment, which means you won't have to make payments for awhile. If you meet the conditions and have the required documentation, your lender has to give you the deferment. The government will pay the interest that builds up on subsidized loans during your deferment. You're still responsible for the interest that builds up on unsubsidized loans.

You can apply for a deferment in any of several ways. If you'd like, KHEAA will mail you a form. You can also find the forms on www.kheaa.com and www.itsmoneybaby.com or you can ask whoever's servicing your loans. Your servicer's website should let you access information about your loans.

The most common deferments are:

In-School Full-Time or In School Half-Time

You must be enrolled at least half-time at an eligible school.

Graduate Fellowship Deferment

You must be in an eligible graduate fellowship program.

Rehabilitation Training Program Deferment

You must be in a rehabilitation program for people with disabilities.

Unemployment Deferment

You must be looking for but not able to find a full-time job or working less than 30 hours per week.

Economic Hardship Deferment

You must earn less than the minimum wage, repaying your student loans will cause you hardship or you can't work because of illness or for other reasons.

These deferments are available if none of your loans is older than July 1, 1993. For a complete list of deferments and eligibility requirements, see the chart below.

I don't qualify for a deferment. Now what?

Forbearance

When you don't qualify for a deferment, your lender may grant you a forbearance. This will allow you to temporarily stop making payments as long as you intend to repay the loan. During periods of forbearance, interest charges continue to build up while you temporarily delay or reduce payments. You may request forbearance to allow for:

- ❑ A short period of time during which you make no payments.
- ❑ An extension of time for making payments.
- ❑ A period during which you make smaller payments than were originally scheduled.

You should explain your circumstances to the lender or servicer, who will determine whether to grant a forbearance.

Consolidation

Consolidating your student loans may be a practical debt management tool for you.

Consolidation loans let you:

- ❑ Combine all of your eligible student loans into a single loan and make just one monthly payment.



- ❑ Lock in today's historic low interest rates for the life of the loan.
- ❑ Extend your repayment period up to 30 years.
- ❑ Simplify your record keeping. The benefits of loan consolidation will differ for each borrower. Generally, monthly payments are less, but you may pay more interest over the life of the Consolidation loan. It's important to consider all factors when making the decision to consolidate.

Only the following loans may be consolidated:

- ❑ Federal Family Education Loans (Subsidized and Unsubsidized Stafford, PLUS).
- ❑ Federal Insured Student Loans.
- ❑ Federal Perkins Loans.
- ❑ Health Education Assistance Loans.
- ❑ Health Professions Student Loans.
- ❑ Federal Nursing Student Loans.
- ❑ Federal Direct Loans (Subsidized and Unsubsidized Stafford, PLUS and Consolidation).



Keeping Track of Your Student Loans

If you're behind on your payments because you don't know how many loans you have, how much you owe or who you should pay, get the status on all of your loans at nslds.ed.gov or call 1.800.4FEDAID (1.800.433.3243)



OK, now you know about the different options available when you have repayment problems. Don't just sit there and hope they go away. Let us help. E-mail default_aversion@kheaa.com or call **1.800.928.5327**.

KHEAA's default aversion staff is dedicated to help you understand your options and resolve any loan delinquencies you may have. Our DARTS program gives us resources, tools and services that let us provide you with the assistance you need to "Be on Target" with repayment of your student loan.

Default Aversion Resources, Tools and Services

KHEAA can help

KHEAA is committed to helping you avoid defaulting on your student loans.



If you're unable to resolve a loan delinquency problem and would like to speak with one of KHEAA's borrower advocates, call:

Nationwide 800.928.5327
Alabama 800.721.9720



P.O. Box 798
Frankfort, KY 40602-0798
Toll-free: (800) 928-5327
Fax: (502) 696-7305
www.kheaa.com

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Deferment Eligibility Chart for the Federal Family Education Loan Program (FFELP)

Form Type	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans			Consolidation Loans	
			Pre 7/1/87 Borrower	New ¹ Borrower 7/1/87 to 6/30/93	New ² Borrower 7/1/93	Pre 7/1/87 Borrower	New ¹ Borrower 7/1/87 to 6/30/93	New ² Borrower 7/1/93	Borrower Consolidates Before 7/1/93	New ² Borrower 7/1/93
SCH or NEW EDU	In-school: Full-time	None	•	•	•	• ³	• ³	• ⁴	•	•
	In-school: Half-time	None		•	•		• ³	• ⁴	•	•
EDU or NEW EDU	Graduate Fellowship	None	•	•	•	• ⁴	• ⁴	• ⁴	•	•
	Rehabilitation Training	None	•	•	•	• ³	• ³	• ⁴	•	•
PUB	Military or Public Health Services ⁵	3 Years	•	•						
	National Oceanic and Atmospheric Administration Corps ⁵	3 Years		•						
	Peace Corps, ACTION Programs, and Tax-exempt Organization Volunteer	3 Years	•	•						
EDU	Teacher Shortage	3 Years		•						
	Internship/Residency Training	2 Years	•	•						
DIS	Temporary Total Disability ⁶	3 Years	•	•		•	•		•	
UNEM	Unemployment	2 Years	•	•		•	•		•	
	Unemployment	3 Years			•			•		•
FAM	Parental Leave ⁷	6 Months	•	•						
	Mother Entering/ Reentering Work Force	1 Year		•						
NEW HRD	Economic Hardship	3 Years			•			•		•

¹ New Borrower 7/1/87 to 6/30/93: A borrower who, on the date the borrower signed the promissory note, has no outstanding balance on (1) a Federal Stafford, SLS, or PLUS Loan first disbursed before 7/1/87 for a period of enrollment beginning before 7/1/87 or (2) a Federal Consolidation Loan that repaid a loan first disbursed before 7/1/87.

² New Borrower 7/1/93: A borrower who received a FFELP Loan with a first disbursement on or after 7/1/93. The borrower has no outstanding principal or interest balance on a FFELP Loan as of 7/1/93 or on the date the borrower obtains a loan on or after 7/1/93. This includes a borrower who obtains a Federal Consolidation Loan on or after 7/1/93, if the borrower has no other outstanding FFELP Loan when the Federal Consolidation Loan was made.

³ Periods during which the parent borrower meets the deferment eligibility requirements or a dependent student for whom the parent obtained a Federal PLUS Loan meets the deferment eligibility requirements.

⁴ Periods during which the parent borrower meets the deferment eligibility requirements.

⁵ Borrowers are eligible for a combined maximum of three years of deferment for service in NOAA, PHS, and Armed Forces.

⁶ A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

⁷ A parental leave deferment may be granted to a borrower in periods of no more than six months each time the borrower qualifies.